

MTUBATUBA MUNICIPALITY

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MTUBATUBA MUNICIPALITY

GENERAL INFORMATION

MEMBERS OF THE MTUBATUBA MUNICIPALITY EXECUTIVE COMMITTEE.

PERIOD 1 JULY 2005 TO 4 MARCH 2006

Councillor C G Swart (Mayor)
Councillor M M J Mbatha (Deputy Mayor)
Councillor M C Zungu (Speaker)
Councillor B dos Santos

PERIOD 4 MARCH 2006 TO 30 JUNE 2006

Councillor CG Swart (Mayor)
Councillor C N Banda (Deputy Mayor)
Councillor S S Masuku (Speaker)
Councillor S S Zungu

MEMBERS OF THE MTUBATUBA MUNICIPALITY COUNCIL

PERIOD 1 JULY 2005 TO 4 MARCH 2006

Councillor J L Kloppe
Councillor C B Mkhwanazi
Councillor A Msane
Councillor Vacant
Councillor S S Zungu
Councillor M P Govender

PERIOD 4 MARCH 2006 TO 30 JUNE 2006

Councillor H G Mbhele
Councillor M E Mkhwanazi
Councillor T T Maphanga
Councillor M M Davies
Councillor J J Combrink
Councillor B dos Santos

GRADING OF THE LOCAL AUTHORITY

Grade 3

AUDITORS

Office of the Auditor-General

BANKERS

First National Bank of South Africa

REGISTERED OFFICE

Civic Center
St Lucia
Mtubatuba

P O Box 52
Mtubatuba
3935

Telephone: 035 550 0069
Facsimile: 035 550 0060

MUNICIPAL MANAGER

M A Mkhize

CHIEF FINANCIAL OFFICER

J S Coetsee
A I M F O

APPROVAL OF FINANCIAL STATEMENTS

The annual financial statements set out on pages 9 to 22 were approved by the Municipal Manager on 30 August 2006 and presented to and approved by Council on 28 September 2006

MAYOR

CHIEF FINANCIAL OFFICER

MTUBATUBA MUNICIPALITY

FOREWORD

FOREWORD BY HIS WORSHIP THE MAYOR

Honourable Speaker, Deputy Mayor ,Members of the Executive Committee and Councillors:

Herewith our financial statements for the financial year ended 30 June 2006

From these statements you will note that we have closed our books with a surplus whilst we have not compromised on service delivery.

The financial control measures which we have installed and which we continuously upgrade and improve are beginning to reap benefits.

May I place on record my thanks to my colleagues in the Executive Committee, the Municipal Manager and his staff , for a job well done.

Mayor

30 August 2006

**REPORT OF THE AUDITOR-GENERAL TO THE MEMBERS OF COUNCIL ON
THE FINANCIAL STATEMENTS OF MTUBATUBA MUNICIPALITY,
FOR THE YEAR ENDED 30 JUNE 2006.**

1. AUDIT ASSIGNMENT

The financial statements as set out on pages 7 to 17, for the year ended 30 June 2006 have been audited in terms of section 188 of the Constitution of the Republic of South Africa, 1996, read with sections 4 and 20 of the Public Audit Act, 2004 (Act No. 25 of 2004), and section 126 (3) of the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA). These financial statements are the responsibility of the accounting officer. My responsibility is to express an opinion on these financial statements, based on the audit.

2. SCOPE

The audit was conducted in accordance with the International Standards on Auditing read with *General Notice 1512 of 2006*, issued in *Government Gazette* no. 29326 of 27 October 2006. Those standards require that I plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement.

An audit includes:

- examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- assessing the accounting principles used and significant estimates made by management; and
- evaluating the overall financial statement presentation.

I believe that the audit provides a reasonable basis for my opinion.

3. BASIS OF ACCOUNTING

The municipality's policy is to prepare the financial statements on the entity specific basis of accounting as described in paragraph 1 of the accounting policies, to the financial statements.

4. QUALIFICATION

4.1 Fixed asset register

The municipality does not have an asset register, consequently I could not confirm assets for existence, valuation and accuracy totalling R21 448 609 as reflected in the financial statements at 30 June 2006.

4.2 Other revenue

Other income of R5 978 808 as disclosed on appendix d, could not be verified for accuracy and completeness due to the following:

- registers maintained were not reconciled to the relevant income votes
- daily cash receipts issued were not reconciled to a daily cash taking analysis, the bank statement and the general ledger which resulted in long reconciling items appearing on the year end bank reconciliation.

4.3 Long term debtors

The long term debtor of R4 253 792 reflected on page 13 of the financial statements relating to the Nordale Housing Scheme could not be confirmed to any supporting agreement or documentation resulting in a limitation of scope.

4.4 Debtors

Working papers in support of a long outstanding clearing account for R656 791 and the transfer of functions of R4 777 250 could not be provided resulting in a limitation of scope.

A reconciliation was not performed between the debtor's age analysis amount of R16 192 677 and the debtors per the general ledger figure of R16 533 234 resulting in a difference of R340 557 at 30 June 2006.

The accuracy of the debtors ageing could not be determined as the current application system records all receipts as current. From a review of the debtors' age analysis, it was noted that debtors have increased from R14 109 877 to R16 227 011 and approximately, 60 per cent of debtors are outstanding for 180 days and over at 30 June 2006.

Because of the impact of the above, I was unable to determine the accuracy of rates and penalty debtors.

4.5 Housing Operating Fund

The Housing Operating Fund as represented by assets of R8 592 986, as disclosed in note 25, could not be confirmed to any supporting documentation.

4.6 Appropriations

Of the appropriations in the financial statements totalling R5 417 472 as disclosed on page 10, only R2 923 622 could be confirmed, resulting in the balance of R2 493 850 being unconfirmed, due to a lack of proper supporting documentation.

4.7 Long term liabilities

The municipality has not accounted for a loan received from the Development Bank of South Africa for R1 113 368 resulting in long term liabilities being understated at 30 June 2006.

4.8 Cash flow statement

On the face of the cash flow statement there is an amount of R1 540 499 which relates to housing development for low income groups which can not be reconciled to the balance sheet or income statement. In addition, the movement in the cash on hand at year end does not reconcile to the movement per the balance sheet.

5. QUALIFIED AUDIT OPINION

In my opinion, except for the effect on the financial statements of the matters referred to in the preceding paragraph, the financial statements present fairly, in all material respects, in accordance with the basis of accounting described in paragraph 1 of the accounting policies, to the financial statements and in the manner required by the MFMA.

6. EMPHASIS OF MATTER

Without further qualifying the audit opinion, attention is drawn to the following matters:

6.1 Insufficient concomitant assets

There is a deficit amounting to R35 349 025 of concomitant assets (cash and investments) when compared to the funds and provisions balances at June 2006. This indicates that there are insufficient cash resources to support the funds, reserves and provisions at 30 June 2006.

6.2 Provision for doubtful debts

The provision for doubtful debts policy as disclosed in the financial statements was not approved by council resulting in no confirmation of the provision of R576 915 at 30 June 2006.

6.3 Limitation of scope

Minutes of council meetings for the first 9 months of the financial year (June 2005 to February 2006) were not provided for audit purposes, consequently the officials compliance with recorded decisions could not be determined.

6.4 Retirement benefits

Retirement benefits information as disclosed in note 21 of the financial statements was not audited, as, management had at date not yet received the most recent actuarial valuation.

6.5 Internal controls

The audit revealed internal control weaknesses in certain areas, which do not affect the fair presentation of the financial statements. These deficiencies in internal controls were brought to the attention of management, as set out in my management letter dated 24 November 2006.

6.6 Municipal Manager

The municipal manager was not present during the entire course of the audit, and subsequently resigned on 25 October 2006.

7. APPRECIATION

The assistance rendered by the staff of the Mtubatuba Municipality during the audit is sincerely appreciated.



LB van der Merwe for Auditor-General
Pietermaritzburg

30 November 2006



AUDITOR - GENERAL

**REPORT OF THE AUDITOR-GENERAL TO THE COUNCIL ON FACTUAL FINDINGS ON
PERFORMANCE MEASUREMENT AT MTUBATUBA MUNICIPALITY FOR THE YEAR ENDED
30 JUNE 2006**

1. ASSIGNMENT

The compilation, presentation and publishing of performance measurements and the implementation, management and internal control of supporting systems, are the responsibility of the accounting officer.

As required by section 45(b) of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) my responsibility is to provide an assessment of the controls implemented by the accounting officer to develop and manage the municipality's performance management system, my role is not to assess or comment on the municipality's actual performance.

2. NATURE AND SCOPE

I have performed the procedures agreed upon and described below regarding the performance measurement system of Mtubatuba Municipality. The assignment was undertaken in accordance with the International Standard on Related Services (ISRS 4400) applicable to agreed upon procedures engagements.

The procedures were performed solely to evaluate the controls implemented and managed by the accounting officer regarding the municipality's performance measurement system against the criteria set out in:

- chapter 6 of the Municipal Systems Act, 2000;
- the Local Government: Municipal Planning and Performance Management Regulations, 2001 (No. R. 796)

The procedures performed during our assignment were based on the high-level overview checklist completed by the accounting officer and included a review of the following aspects:

1. Development of an integrated development plan
2. Development of a performance management system
3. Development and implementation of key performance indicators
4. Setting of targets for key performance indicators
5. Actual service delivery process
6. Internal monitoring of performance measurements
7. Internal control of the performance management system
8. Performance measurement and reporting
9. Revision of strategies and objectives

3. FACTUAL FINDINGS

I report my findings below:

3.1 Integrated development plan (IDP)

The IDP has been drafted in terms of due process as follows:

- The Municipality have a financial plan in place in respect of the 2005/06 financial year.
- The budget was formulated based on the IDP.

3.2 Performance management system (PMS)

A formally documented PMS had not been developed, adopted and implemented for the year ended 30 June 2006.

3.3 Key performance indicators (KPI)

Formally documented KPI's have been developed, however, they have not been implemented.

3.4 Setting performance targets for the KPI's

- Specific targets have not been adopted for each of the key performance indicators.
- Performance targets formulated do not take into account performance targets in respect of the administrative units, employees, and service providers.

3.5 Actual service delivery process

The performance of staff and service providers were not tracked in accordance with a formally documented process for year ended 30 June 2006.

3.6 Internal Monitoring

The Municipality does not formally compare the actual results of its service providers with planned targets and performance of the prior year.

3.7 Internal control

As at 30 June 2006, the internal controls have been implemented and the control system has improved from the prior year.

3.8 Performance measurement and reporting

A performance report has not been compiled for inclusion in the municipality's annual report.

3.9 Revision of strategies and objectives

There has been a revision of strategies and objectives during the year ended 30 June 2006 of the IDP.

4. STATEMENT

Because the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, I do not express any assurance on the performance measurements as at 30 June 2006.

Had I performed additional procedures or had I performed an audit or review of the performance measurement in accordance with International Standards on Auditing or International Standards on Review Engagements other matters might have come to my attention that would have been reported to you.

This report relates only to the purpose set forth in the first paragraph of this report and does not extend to the financial statements of Mtubatuba Municipality, taken as a whole.

5. APPRECIATION

The assistance rendered by the staff of Mtubatuba Municipality during the assignment is sincerely appreciated.



LB van der Merwe for Auditor-General
Pietermaritzburg

30 November 2006



A U D I T O R - G E N E R A L

MTUBATUBA MUNICIPALITY

FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

Report by the Chief Financial Officer

1 OPERATING RESULTS

Details of the operating results per department, classification and object of expenditure are included in appendices D and E. The overall operating results for the year ended 30 June 2006 are as follows.

	ACTUAL 2005	ACTUAL 2006	VARIANCE 2005/2006	BUDGET 2006	VARIANCE ACTUAL/BUDGET
	R	R	%	R	%
INCOME					
Opening Surplus	1,554,453	3,583,253			
Operating Income for the year	19,411,131	19,099,224	-1.61%	19,153,014	-0.28%
	20,965,584	22,682,477		19,153,014	
EXPENDITURE					
Operating Expenditure for the year	15,877,233	16,575,303	4.40%	19,117,698	-13.30%
Sundry transfers	1,505,098	5,417,472			
Closing surplus/(deficit)	3,583,253	689,702		35,316	
	20,965,584	22,682,477		19,153,014	

The water, sewerage and electricity functions have been transferred to Umkhanyakude District Municipality as from 1 July 2003.

2 CAPITAL EXPENDITURE AND FINANCING

Expenditure on Fixed assets during the year amounted to R 1 812 919.00
A comparison between actual and budget consisted of the following:

	ACTUAL 2006	BUDGET 2006	ACTUAL 2005
	R	R	R
Administration	120,870	950,000	46,037
Busrank		700,000	
Library Services	1,692,049	2,775,467	4,278
Traffic Service	-	-	-
Public Works	-	5,365,000	39,950
Refuse	-	3,000,000	
Town Estates	-	2,146,724	-
Public Improvement Fund	-	-	-
Housing	-	-	9,657,027
	1,812,919	14,937,191	9,747,292

A complete analysis of capital expenditure (Budget and actual) per department, classification or service is included in appendix C.

Resources used to finance the fixed assets were as follows:

	ACTUAL 2006	BUDGET 2006	ACTUAL 2005
	R	R	R
Contribution from revenue	-	140,000	218,821
Grants	1,812,919	14,797,191	2,015,629
Internal Loans	-	-	-
	1,812,919	14,937,191	2,234,450

More details regarding internal advances used to finance fixed assets are shown in appendix B.

3 EXTERNAL LOANS, INVESTMENTS AND CASH

External loans outstanding on 30 June 2006 amount to R 271 219 (R 264 471 in 2005) as set out in appendix B. An amount of R 37 524 was repaid during the year.

Investments and cash on 30 June 2006 amount to R 8 607 750 (R 6 179 626 in 2005). Cash and investments represents the following:

Fixed Deposit (Escom Deposit	191,600
General Reserves	5,057,461
Capital Development Fund	3,357,189
Petty Cash	1,500
	<u>8,607,750</u>

More information regarding loans and investments are disclosed in note 3 and 5 of the financial statements.

4 FUNDS, RESERVES AND PROVISIONS

The movement regarding statutory funds, reserves and provisions is disclosed in the notes and Appendix A to the financial statements.

5 APPRECIATION

I would like to thank the Mayor, the deputy Mayor, Speaker, the Chairman and Members of the executive Committee, and other Councillors, the Municipal Manager and Departmental Heads for the support they have given me and my personnel during the year. A special word of thanks to the Department of Traditional and Local Government Affairs, the consultants and personnel of the Finance Department for their loyal and commitment in preparing the financial accounts of our municipality.

J S Coetsee
Chief Financial Officer
30 August 2006

MTUBATUBA MUNICIPALITY

ACCOUNTING POLICIES

1 BASIS OF PRESENTATION

- 1.1 The financial statements have been prepared so as to conform to the standards laid down by the Institute of Municipal Finance Officers in its Code of Accounting Practice (1997) and Report on the Published Annual Financial Statements of Local Authorities (2nd Edition, January 1996).
- 1.2 The financial statements are prepared on the historical cost basis, adjusted for capital expenditure as more fully detailed in Accounting Policy note three. The accounting policies are consistent with those applied in the previous year, except if otherwise indicated.
- 1.3 The financial statements are prepared on the accrual basis as stated:
 - (i) Income is accrued when collectable and measurable. Certain direct income is accrued when received such as traffic fines and certain licenses.
 - (ii) Expenditure is accrued in the year in which it is incurred.
- 1.4 All amounts disclosed in these Financial Statements are rounded off to the nearest Rand, but actual amounts were used in the calculations.

2 CONSOLIDATION

The balance sheet includes the Rates and General Service, Housing Service and the different funds, reserves and provisions. All inter departmental charges are set-off against each other with the exception of assessment rates and refuse removal which are treated as income and expenditure in the respective departments.

3 FIXED ASSETS

- 3.1 *Fixed assets are stated :*
 - (i) at historical cost, or
 - (ii) at valuation (based on the market price at date of acquisition), where assets have been acquired by grant or donation, whilst they are in existence and fit for use, except in the case of bulk assets which are written off at the end of their estimated useful life as determined by the Chief Financial Officer.

4 DEPRECIATION

The balance shown against the heading "Loans Redeemed and Other Capital Receipts" in the notes to the balance sheet is tantamount to a provision for depreciation, however, certain structural differences do exist. By way of this "Provision" assets are written down over their estimated useful lives. Apart from advances from the various Council funds, assets may also be acquired through:

- (i) Appropriations from income, where the full cost of the asset forms an immediate and direct charge against operating income and therefore it is unnecessary to make any further provision for depreciation.
 - (ii) Grant or donation, where the amount representing the value of such grant or donation is immediately credited to the "Loans Redeemed and Other Capital Receipts" account.
- 4.1 All net proceeds from the sale of fixed property are credited to either the Public Improvement Fund or Capital Development Fund, depending on which fund the property was acquired for and charged to. Net proceeds from the sale of all other assets are credited to the Capital Development Fund.
- 4.2 Fixed assets are financed from different sources, including external loans, operating income, endowments and internal advances. These loans and advances are repaid within the estimated useful lives of the assets acquired from such loans and advances. Interest is charged to the service concerned at the ruling interest rate applicable at the time the advance was made.

5 INVENTORY

Stock is purchased on a need basis, and the balance on hand at year end is accounted for as expenditure.

6 FUNDS, RESERVES AND PROVISIONS

- 6.1 *Capital Development Fund*
Section 103(9)(b) of the Local Authorities Ordinance 1974 (No. 25 of 1974) states inter alia that Council shall pay unto each Capital Development Fund not less than three per cent of the annual revenue accruing to the Borough Fund and to the relevant Trading Fund.
- 6.2 *Public Improvement Fund*
All monies raised in terms of Section 103(3) of the Local Authorities Ordinance 1974 (Ordinance No. 25 of 1974) are paid into the Public Improvement Fund. Advances from the Fund are repaid with the rate of interest determined by the Council.

6.3 *Housing Operating Account*

In terms of the Housing Act (Act 107 of 1997), the following has been implemented:

- (i) Amounts owing in respect of Provincial Housing Board loans, which have been extinguished, have been reflected in the Housing Operating Account.
- (ii) Fixed assets and housing debtors relating to these loans have been retained in the housing service.
- (iii) All monies held in the Housing Operating Account not used, are invested with a public institution in accordance with the Housing Act. Interest received on such amounts invested is held for future housing development.

6.4 *Leave Provision*

The Leave Pay Provision was established in order to provide for accrued leave payments to all employees as well as commutation of leave accruals during the year.

6.5 *Reserves*

Reserves were established for all conditional grants received from National and Provincial Government. These funds are specifically allocated to the purpose the grant was intended for and expenditure debited against these reserves should be in accordance with the respective business plan.

6.6 *Bad Debt Provision*

A provision equal to the anticipated risk as at 30 June is maintained to provide for bad debts. Contributions are made from the applicable accumulated account based on outstanding debtors more than one hundred and twenty days. The current provision is not adequate and addition contributions will be made in future years pending the availability of funds in the accumulated surplus till the 120 days outstanding amount have been reached.

7 RETIREMENT BENEFITS

Current contributions, past service costs and service adjustments are charged against operating income on the basis of current service costs.

Mtubatuba Municipality and its employees contribute to the Natal Joint Municipal Pension Fund or the KwaZulu-Natal Joint Municipal Provident Fund which provides retirement benefits to such employees. The retirement benefit plan is subject to the rules

Full actuarial valuations are performed at least every three years. The last valuation was done on 31 March 2003

8 LEASED ASSETS

Fixed assets held under finance leases are capitalised. Such assets are effectively amortised over the term of the lease agreement.

Lease finance charges are allocated to accounting periods over the duration of the leases, by the effective interest rate method, which reflects the extent and cost of lease finance utilised in each accounting period.

All other leases are treated as operating leases and the relevant rentals are charged to the operating account in a systematic manner related to the period of use of the assets concerned.

9 INVESTMENTS

Investments are shown at the lower cost or, if a permanent decline in their value occurred, at market value.

Investments are shown at the lower of cost or market value if a permanent decline in the value occurred, and are invested in securities as prescribed by section 125 of the Local Authorities Ordinance, 1974 (Ordinance No. 25 of 1974) and section 10G(9) of

10 INCOME RECOGNITION

10.1 *Assessment Rates*

The Council applies a differential site rating system. In terms of this system the assessment rates are levied on the land value of property, and rebates are granted according to the use to which a particular property is put. A differential rate is applied to residential properties, whilst rebates are granted to Government and agricultural properties and to Lodge St Lucia, a community organisation.

11 ADMINISTRATION AND OTHER OVERHEADS EXPENSES

All administration and other overhead expenses are expensed against income received.

12 SURPLUSES AND DEFICITS

Surpluses or deficits arising from all operations are retained within the Rate and General Services account. Any surpluses or deficits arising from the operation of the water, sewerage and electricity services are retained in the Services for their own use at the municipality and shown under the net Mtubatuba debtor account.

MTUBATUBA MUNICIPALITY
BALANCE SHEET AT 30 JUNE 2006

	Note	2006 R	2005 R
<u>CAPITAL EMPLOYED</u>			
FUNDS AND RESERVES		43,956,775	38,734,232
Statutory Funds	1	38,899,313	36,456,312
Reserves	2	5,057,461	2,277,920
ACCUMULATED SURPLUS		689,702	3,583,253
LONG-TERM LIABILITIES	3	226,354	220,724
CONSUMER DEPOSITS			
		<u>44,872,831</u>	<u>42,538,209</u>
<u>EMPLOYMENT OF CAPITAL</u>			
FIXED ASSETS	4	21,448,609	21,301,545
LONG-TERM DEBTORS	7	4,457,814	4,450,356
NET CURRENT ASSETS/(LIABILITIES)		18,966,408	16,786,307
CURRENT ASSETS		20,677,075	22,819,995
Investments	6	2,563,975	2,437,643
Debtors	8	12,069,325	16,640,369
Cash at Bank		6,043,775	3,741,983
CURRENT LIABILITIES		1,710,667	6,033,688
Provisions	9	721,958	1,102,052
Creditors	10	943,844	4,887,889
Loans - Short term portion	3	44,865	43,747
Bank overdraft		-	
		<u>44,872,831</u>	<u>42,538,208</u>

MTUBATUBA MUNICIPALITY
INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

2005 ACTUAL INCOME R	2005 ACTUAL EXPENDITURE R	2005 SURPLUS/ (DEFICIT) R		2006 ACTUAL INCOME R	2006 ACTUAL EXPENDITURE R	2006 SURPLUS/ (DEFICIT) R	2006 BUDGET SURPLUS/ (DEFICIT) R
19,411,131	15,877,233	3,533,898	RATES AND GENERAL SERVICES	19,099,224	16,575,303	2,523,921	35,316
16,112,925	11,383,323	4,729,602	Community Services	15,584,220	11,543,290	4,040,930	2,451,645
1,682,418	3,117,014	(1,434,596)	Subsidised Services	1,932,891	3,666,258	(1,733,367)	(2,399,276)
1,615,788	1,376,896	238,892	Economic Services	1,582,113	1,365,755	216,358	(17,053)
19,411,131	15,877,233	3,533,898	TOTAL	19,099,224	16,575,303	- 2,523,921 -	35,316
		(1,505,098)	Appropriations for the year			(5,417,472)	
		2,028,800	Net surplus for the year			(2,893,551)	
		1,554,453	Accumulated surplus beginning of the year			3,583,253	
		3,583,253	Accumulated surplus end of the year			689,702	

MTUBATUBA MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	NOTE	2006 R	2005 R
CASH RETAINED FROM OPERATING ACTIVITIES			
		7,437,587	8,111,435
Cash generated by operations	16	1,172,960	(195,851)
Investment Income		84,559	96,130
(Increase)/Decrease in Working Capital	17	619,541	(2,237,385)
		1,877,060	(2,337,106)
Less: External Interest paid		(51,437)	(57,462)
Cash utilised by operations		1,825,623	2,394,568
Operating Grants		5,611,964	5,188,371
Proceeds on disposal of fixed assets			
Capital contributions from the Public and state			528,496
CASH UTILISED IN INVESTING ACTIVITIES:			
Investments in Fixed Assets		(1,812,919)	(9,747,292)
Housing development for low incomegroup		(1,540,499)	
Transferred to Umkhanyakude			
NET CASH FLOW		<u>4,084,169</u>	<u>(1,635,857)</u>
CASH EFFECTS OF FINANCING ACTIVITIES			
(Decrease)/Increase in Long-term Loans (External)	18	(37,524)	(33,639)
Decrease/(Increase) in External Cash investments	19	(126,332)	865,048
(Increase)/Decrease in Cash on Hand	20	(3,920,313)	804,448
NET CASH GENERATED/(UTILISED)		<u>(4,084,169)</u>	<u>1,635,857</u>

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2006

	2006 R	2005 R
1 STATUTORY FUNDS		
Consolidated Capital Development Fund	7,719,737	7,008,712
Public Improvement Fund	18,332,798	18,249,676
Housing Operating Account	12,846,778	11,197,924
(Appendix A for more detail)	<u>38,899,313</u>	<u>36,456,312</u>
2 RESERVES		
Disaster Claim - Low Cost Housing	150,000	150,000
Bursaries	-	(13,301)
M.A.P.	556,959	1,130,307
I.D.P. Review	330,107	244,953
PMS	265,000	165,000
Indigent Support	35,730	35,730
LUMS	300,000	250,000
GIS	70,000	70,000
Management Audit	-	71,736
Integrated Systems	34,517	150,806
ICS	-	22,689
Financial Management Grant	198,022	-
D C 27 Grant	30,000	-
Unidentified Grants	250,000	-
Library Service Fund	1,088,619	-
Kwamsane Library Grant	6,916	-
E Learning	150,000	-
Property Rates Act	63,125	-
Inter Dep Monitoring	60,000	-
M F M A	245,000	-
Inter Dep Monitoring Ing	184,000	-
Comm / L E D Outreach Fund	527,700	-
Cultural Centre Grant	58,162	-
To Municipalities for functions	453,604	487,250
(Appendix A for more detail)	<u>5,057,461</u>	<u>2,765,170</u>
3 LONG TERM LIABILITIES		
Annuity Loans	271,219	264,471
	<u>271,219</u>	<u>264,471</u>
Less: Current portion transferred to current liabilities	44,865	43,747
	<u>226,354</u>	<u>220,724</u>
4 FIXED ASSETS		
Fixed assets at the beginning of the year	75,089,579	65,342,287
Capital outlay during the year	1,812,919	9,747,292
	<u>76,902,498</u>	<u>75,089,579</u>
Less: Assets written off, transferred or disposed of during the year	26,139,006	-
Total fixed assets	<u>50,763,492</u>	<u>75,089,579</u>
Less: Loans redeemed and other capital receipts	29,314,883	53,788,034
Nett fixed assets	<u>21,448,609</u>	<u>21,301,545</u>
(Appendix C for more detail)		
5 HOUSING INVENTORY		
Nordale Housing Scheme	5,242,347	-
Mtubatuba & Dukuduku Housing	20,896,659	-
	<u>26,139,006</u>	<u>-</u>
This is assets that that have been taken out the asset register and a complete reconciliation regarding housing is in process.		
6 INVESTMENTS		
Unlisted		
Short term deposits	2,563,975	2,437,643
Total Investments	<u>2,563,975</u>	<u>2,437,643</u>
Management's valuation of unlisted investments	<u>2,563,975</u>	<u>2,437,643</u>
Average gross rate of return on investments	4.63%	5.49%

Local authorities are required to invest funds which are not immediately required, with prescribed institutions and the period should be such that it will not be necessary to borrow funds against the investment at a penalty rate to meet commitments.

No investments have been written off during the year.

Abovementioned amount of investment includes a amount of R191 600.00 in lieu for a Escom gauranteee.

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2006

	<u>2006</u> <u>R</u>	<u>2005</u> <u>R</u>
7 LONG TERM DEBTORS		
Housing Loans	4,253,792	4,315,936
Deposits	204,022	7,222
Staff Housing	-	127,198
	<u>4,457,814</u>	<u>4,450,356</u>
8 DEBTORS		
Current Debtors (Consumers and others)	16,227,011	14,109,877
Hlabisa clearing account	656,791	656,791
Umkhanyakude - Transfer of Functions	4,777,250	4,882,846
ST Lucia Security	306,223	853,477
Amounts paid in Advance	-	2,052
Salaries	4,770	76,812
Insurance Suspense	335	-
Group Life	24	-
Salary Deduction Escrow	4,082	-
Hall Hire Deposits	4,347	-
Cash Shortfalls net	751	2,751
Sundry	-	356,290
V A T Sars Claim/Due	588,268	-
	<u>22,569,852</u>	<u>20,940,896</u>
Less: Provision for bad Debt	10,500,527	4,300,527
	<u>12,069,325</u>	<u>16,640,369</u>
Days outstanding in debtors amount to	673	
9 PROVISIONS		
Leave Pay	721,958	614,802
(Appendix A for more detail)	<u>721,958</u>	<u>614,802</u>
10 CREDITORS		
SARS Output Debtors Raised Receipted	354,949	3,514,525
Unidentified receipt	-	515,091
Trade Creditors	586,005	818,963
Union Membership Fees	2,890	-
Hall Hire Deposits	943,844	4,848,579
Plus:Hall Hire Deposits (2003 include Water Consumers)	-	39,310
	<u>943,844</u>	<u>4,887,889</u>
11 ASSESSMENT RATES		
General rate		
Residential	0.0698	0.0646
Commercial and Industrial	0.0730	0.0676
Residential St Lucia	0.0241	0.0223
Commercial and Industrial St Lucia	0.0616	0.0570
Refuse rate		
Residential	0.0140	0.0125
Commercial and Industrial	0.0145	0.0130
Residential St Lucia	0.0090	0.0080
Commercial and Industrial St Lucia	-0.0180	0.0163
Property Valuation at 01 July 1997		
General	145,844,700	145,844,700
Refuse	85,700,000	85,700,000
Rates Income		
General	7,213,155	8,073,188
Refuse	1,582,113	1,655,655
Total	<u>8,795,268</u>	<u>9,728,843</u>
Valuation on land are performed every five years and the last general valuation came into effect on 1 July 1997.		

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2006

	<u>2006</u> <u>R</u>	<u>2005</u> <u>R</u>
12 COUNCILORS REMUNERATION		
Mayor's Allowance	133,485	137,812
Deputy Mayor's Allowances	99,470	108,537
Speakers Allowances	112,719	108,537
Executive Committee Allowances	111,878	108,441
Councilor's Allowances	334,496	338,727
	<u>792,048</u>	<u>802,054</u>
13 AUDITOR'S REMUNERATION		
Current Year	256,429	559,408
Underprovision prior year	<u>256,429</u>	<u>559,408</u>
14 FINANCE TRANSACTIONS		
External Interest earned or paid		
Interest Earned	84,559	96,130
Interest Paid	51,437	57,462
Capital charges debited to operating account		
Interest		
External	51,437	57,462
Internal	163,515	182,942
Redemption		
External	37,524	33,639
Internal	140,781	133,322
	<u>393,257</u>	<u>407,365</u>
15 APPROPRIATIONS		
Appropriation Account		
Accumulated surplus at the beginning of the year	3,583,253	1,554,453
Operating surplus for the year	2,523,921	3,533,898
Appropriations for the year	(5,417,472)	(1,505,098)
Accumulated surplus/(deficit) at the end of the year	<u>689,702</u>	<u>3,583,253</u>
Operating account		
Capital Expenditure	-	90,265
Contributions to Provisions	6,698,272	862,590
Bad Debts	6,200,000	-
Audit Fees	-	170,000
To Municipalities for Functions	-	487,250
Leave Pay	498,272	205,340
Contribution to Capital Development Fund	572,977	582,334
	<u>7,271,249</u>	<u>1,535,189</u>
16 CASH GENERATED BY OPERATIONS		
Surplus/(Deficit) for the year	2,523,921	3,533,898
Previous years operating transactions		
Appropriations charged against income:	7,271,249	1,535,189
Capital Development Fund	572,977	582,334
Provisions and Reserves	6,698,272	862,590
Fixed Assets	-	90,265
Capital Charges	393,257	407,365
Interest Paid		
- Internal Funds	163,515	182,942
- External Loans	51,437	57,462
Redemption		
- Internal Advances	140,781	133,322
- External Loans	37,524	33,639
Grants E/S	(5,611,964)	(5,188,371)
Investment income (Operating Account)	-	-
Internal Interest Transferred to operating Account		
Non-Operating Income		
Public Improvement Fund	(40,284)	(47,733)
Consolidated Capital Development Fund	(44,275)	(48,397)
Housing Operating Account	(2,691,871)	-
Grants Income	(6,836,329)	-
Non-Operating Expenditure		
Provisions & Reserves	6,209,256	1,117,296
Net movement in working capital	<u>1,172,960</u>	<u>1,309,247</u>

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2006

	<u>2006</u> <u>R</u>	<u>2005</u> <u>R</u>
17 (INCREASE)/DECREASE IN WORKING CAPITAL		
(Increase)/Decrease in Inventory	-	52,415
(Increase)/Decrease in Current Debtors	4,571,044	(2,681,312)
Decrease/(Increase) in long term Debtors	(7,458)	125,050
Increase/(Decrease) in Creditors	(3,904,735)	240,530
Increase/(Decrease) in consumer Deposits	(39,310)	25,932
	<u>619,541</u>	<u>(2,237,385)</u>
18 INCREASE/(DECREASE) IN LONG-TERM LOANS (EXTERNAL)		
Loans Raised	-	-
Loans Repaid	(37,524)	(33,639)
	<u>(37,524)</u>	<u>(33,639)</u>
19 (INCREASE)/DECREASE IN EXTERNAL CASH INVESTMENTS		
Investments Made	(126,840)	(158,959)
Investments Realised	508	1,024,007
	<u>(126,332)</u>	<u>865,048</u>
20 (INCREASE)/DECREASE IN CASH ON HAND		
(Overdraft)/Cash beginning of the year	2,123,462	2,927,910
Cash at end of the year	6,043,775	2,123,462
	<u>(3,920,313)</u>	<u>(804,448)</u>
21 RETIREMENT BENEFITS		
Employees belong to the following retirement Funds		
21.1 Natal Joint Municipal Pension Fund (Retirement)		
An actuarial valuation was conducted as at 31 March 2003. At a funding level of 90.3% the account was in deficit to the extent of R22,417 million. The Actuary has recommended that special steps be not taken at this stage and that the position be reviewed early in 2004 to determine whether the account can afford the guaranteed increase in pensions to be granted.		
21.2 Natal Joint Municipal Pension Fund (Superannuating)		
At a funding level of 87.9% the account as in deficit to the extent of R 88,660 million. The funding level of the fund decreased from 98.9% to 87.95. The Actuary is satisfied that the self-reinsurance arrangement is appropriate for the fund and that the asset composition of the Fund is appropriate to the nature of the liabilities.		
21.3 Natal Joint Municipal Pension Fund (Provident)		
An actuarial valuation was conducted as at 31 March 2003. The market value of the Fund's assets did not cover the members' share account and the risk/investment reserve accounts. The fund thus held a negative investment reserve. No further action is however required in this regard because the payment of the interim monthly bonus had been suspended and the investment markets have recovered post-31 March 2003.		
22 CAPITAL COMMITMENTS		
Commitments in respect of capital expenditure		
Approved and contracted for	574,955	-
Approved but not yet contracted for	-	-
	<u>574,955</u>	<u>-</u>
This expenditure will be financed from		
Internal sources	-	-
External sources	-	-
Grant and subsidies	574,955	-
	<u>574,955</u>	<u>-</u>
23 CONSOLIDATED CAPITAL DEVELOPMENT FUND		
Outstanding advances to borrowing services		
Accumulated fund	7,719,737	7,008,712
Less: External Investments	(2,372,375)	(3,067,592)
Temporary borrowings	(4,768,713)	(3,314,100)
(Refer to Appendices A and B for more detail)	<u>578,649</u>	<u>627,020</u>
24 PUBLIC IMPROVEMENT FUND		
Outstanding advances to borrowing services		
Accumulated fund	18,332,798	18,249,676
Less: Improvements	(16,633,657)	(16,633,657)
Temporary Borrowings	(1,221,045)	(881,725)
(Refer appendices B for more detail)	<u>478,096</u>	<u>734,294</u>

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2006

	<u>2006</u> <u>R</u>	<u>2005</u> <u>R</u>
25 HOUSING OPERATING ACCOUNT		
Outstanding advances to borrowing services		
Accumulated fund	12,846,778	11,197,924
Represented by :		
Housing debtors	(4,253,792)	(4,315,936)
Fixed assets	(8,592,986)	(5,646,919)
Temporary borrowings	-	(1,235,069)
	<u>-</u>	<u>-</u>
26 SENIOR MANAGEMENT REMUNERATION.		
In terms of Section 124 of the Municipal Finance Management Act, No 56 of 2003 the following information is disclosed:		
1. Total gross remuneration of the Municipal Manager, Chief Financial Officer and senior management. The gross remuneration disclosed is for 12 months unless otherwise stated and includes performance bonus:		
Municipal Manager (7 Months)	188,565	-
Manager Finance and Corporate Services (3 Months)	85,384	-
Manager Technical and Community Services	290,472	-
	<u>564,421</u>	<u>-</u>
27 CONTRIBUTIONS		
In terms of Section 125(c) of the Municipal Finance Management Act, No 56 of 2003 the following information is disclosed:		
PENSIONFUND CONTRIBUTIONS	<u>918,310</u>	<u>-</u>
MEDICAL AID CONTRIBUTIONS	<u>295,698</u>	<u>-</u>
There were no contributions outstanding on 30 June 2006		
28 BANK ACCOUNTS		
In terms of Section 125(2)(a) of the Municipal Finance Management Act, No 56 of 2003 the following information is disclosed:		
PRIMARILY BANK ACCOUNT		
Cheque Account - First National Bank - Mtubatuba :		
Account No : 53093735184 Year opening balance	3,764,169	
Movement	2,042,692	
Year end balance	<u>5,806,861</u>	<u>-</u>
OTHER BANK ACCOUNTS		
1 Dukuduku low cost housing.		
Cheque Account - First National Bank - Mtubatuba :		
Account No : 62050465858 Year opening balance	373,561	
Movement	(224,886)	
Year end balance	<u>148,675</u>	<u>-</u>
2 Mtubatuba low cost housing.		
Cheque Account - First National Bank - Mtubatuba :		
Account No : 62050462606 Year opening balance	483,830	
Movement	(179,164)	
Year end balance	<u>304,666</u>	<u>-</u>
29 CONTINGENT LIABILITIES AND CONTACTUAL OBLIGATIONS.		
Claim lodge against council by J H Loots t/a Vrede Vors for security services rendered.	<u>1,500,000</u>	
	<u>1,500,000</u>	

MTUBATUBA MUNICIPALITY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR 30 JUNE 2006

30 POST BALANCE SHEET EVENTS

1 Investigations into management activities

Council, after a preliminary investigation by independent attorneys, resolved on 21 September 2004 (Item 122/2004) to suspend the Head of the Department/Manager Finance and Corporate with full remuneration. The Mayor was also authorised to appoint independent auditors to investigate the alleged financial irregularities. The attorneys Anwar Suleman Jessop was appointed to do the investigation

The firm of attorneys Anwar Suleman Jessop was also mandated to provide caretakership management during the period of suspension, and Mr. G Singh was appointed as acting municipal manager till further notice.

Final settlement/ payment was done on 31 July 2005.

APPENDIX A

MTUBATUBA MUNICIPALITY

STATUTORY FUNDS, RESERVES AND PROVISIONS

	BALANCE AT 1 JULY 2005	CONTRIBUTION S FOR 2005/2006	INTEREST ON INVESTMENTS	OTHER INCOME	INTEREST ON INTERNAL ADVANCES	EXPENDITURE FOR 2005/2006	BALANCE AT 30 JUNE 2006
<u>STATUTORY FUNDS</u>							
Consolidated Capital Development Fund	7,008,712	572,977	44,275		231,821	138,048	7,719,737
Public Improvement Fund	18,249,676		40,284		125,961	83,123	18,332,798
Housing Operating Account	11,197,924			2,691,871		1,043,017	12,846,778
	36,456,312	572,977	84,559	2,691,871	357,782	1,264,188	38,899,313
<u>RESERVES</u>							
Disaster Claim - Low Cost Housing	150,000						150,000
Bursaries	(13,301)			31,572		18,271	-
M.A.P.	1,130,307			1,453,763		2,027,111	556,959
I.D.P. Review	244,953			180,000		94,846	330,107
PMS	165,000			100,000			265,000
Indigent Support	35,730						35,730
LUMS	250,000			50,000			300,000
GIS	70,000						70,000
Management Audit	71,736					71,736	-
Integrated Systems	150,806					116,289	34,517
ICS	22,689					22,689	-
Financial Management Grant				500,000		301,978	198,022
DC 27 Grant				30,000			30,000
Unidentified Grants				250,000			250,000
Library Service Fund				2,800,213		1,711,594	1,088,619
Kwamsane Library Grant				140,794		133,878	6,916
CDW Grant				12,000		12,000	-
E Learning				150,000			150,000
Property Rates Act				63,125			63,125
Inter Dep Monitoring				60,000			60,000
M F M A				245,000			245,000
Inter Dep Monitoring Ing				184,000			184,000
Comm / L E D Outreach Fund				527,700			527,700
Cultural Centre Grant				58,162			58,162
To Municipalities for Functions	487,250					33,646	453,604
	2,765,170	-	-	6,836,329	-	4,544,038	5,057,461
<u>PROVISIONS</u>							
Bad Debts	4,300,527	6,200,000					10,500,527
Leave Pay	614,802	498,272		9,914		401,030	721,958
	4,915,329	6,698,272	-	9,914	-	401,030	11,222,485

APPENDIX B

MTUBATUBA MUNICIPALITY
EXTERNAL LOANS AND INTERNAL ADVANCES

	BALANCE AT 1 JULY 2005	RECEIVED DURING THE YEAR	REDEEMED OR WRITTEN OFF DURING THE YEAR	BALANCE AT 30 JUNE 2006
<u>EXTERNAL LOANS</u>	<u>R</u>	<u>R</u>	<u>R</u>	<u>R</u>
DBSA	264,471	44,274	37,525	271,220
	264,471	44,274	37,525	271,220
<u>INTERNAL ADVANCES TO BORROWING SERVICES</u>				
Public Improvement Fund	570,506		92,410	478,096
Consolidated Capital Development fund	627,020		48,371	578,649
Temporary borrowings				
-Capital Development Fund	3,314,100	1,454,613		4,768,713
-Public Improvement Fund	881,725	339,320		1,221,045
-Housing Operating Account	1,235,069		1,235,069	-
	6,628,420	1,793,933	1,375,850	7,046,503

APPENDIX C

MTUBATUBA MUNICIPALITY						
ANALYSIS OF FIXED ASSETS						
EXPENDITURE 2005	SERVICE	BUDGET 2006	BALANCE AT 1 JULY 2005	EXPENDITUR E 2005	REDEEMED, TRANSFERRE D OR WRITTEN-OFF	BALANCE AT 30 JUNE 2006
R		R	R	R	R	R
90,265	RATES AND GENERAL SERVICES	14,937,191	32,316,916	1,812,919	-	34,129,835
46,037	Administration	950,000	1,560,099	120,870		1,680,969
	Bus rank	700,000	229,987			229,987
	Fire service		42,723			42,723
4,278	Health Service		4,414,155			4,414,155
	Library	2,775,467	446,418	1,692,049		2,138,467
	Licensing		5,698			5,698
39,950	Traffic Service		207,372			207,372
	Public Works	5,365,000	19,282,788			19,282,788
	Refuse	3,000,000	76,748			76,748
	Town Estates	2,146,724	6,050,928			6,050,928
9,657,027	HOUSING SERVICE	-	26,139,006		26,139,006	-
-	Nordale Housing Scheme		5,242,347	-	5,242,347	-
9,657,027	Mtubatuba & Dukuduku Housing		20,896,659		20,896,659	-
	PUBLIC IMPROVEMENT FUND		16,633,657			16,633,657
9,747,292	TOTAL FIXED ASSETS	14,937,191	75,089,579	1,812,919	26,139,006	50,763,492
	LOANS REDEEMED AND OTHER CAPITAL RECEIF		53,788,034	1,991,224	26,464,375	29,314,883
	Loans redeemed		4,533,427	178,305	44,274	4,667,458
	Contribution from operating income		7,626,320			7,626,320
	Public Contribution		317,848			317,848
	Endowment		-			-
	Grants and Subsidies		41,310,439	1,812,919	26,420,101	16,703,257
	NET FIXED ASSETS		21,301,545	(178,305)	(325,369)	21,448,609

APPENDIX D

MTUBATUBA MUNICIPALITY

ANALYSIS OF OPERATING INCOME AND EXPENDITURE FOR THE YEAR ENDED 30 JUNE 2006

2005 ACTUAL R	<u>INCOME</u>	2006 ACTUAL R	2006 BUDGET R
8,073,188	Assessment rates	7,213,155	7,707,906
5,188,371	Provincial Grants and Subsidies	5,611,964	5,611,964
5,978,973	Other Income	5,978,808	5,758,144
170,599	Interest Earned	295,298	75,000
<u>19,411,131</u>	Total Income	<u>19,099,225</u>	<u>19,153,014</u>
	<u>EXPENDITURE</u>		
9,167,360	Salaries, Wages and Allowances	9,433,988	10,359,208
4,291,940	General Expenditure	5,212,853	6,058,407
477,428	Repairs and Maintenance	762,298	1,040,000
405,315	Capital Charges	393,257	745,513
90,265	Contributions to Capital Outlay	-	140,000
1,444,924	Contributions To Funds	772,907	774,570
<u>15,877,232</u>	Gross Expenditure	<u>16,575,303</u>	<u>19,117,698</u>
	Less: Amounts Charges out		
<u>15,877,232</u>	Net Expenditure	<u>16,575,303</u>	<u>19,117,698</u>

MTUBATUBA MUNICIPALITY

DETAILED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

2005 ACTUAL INCOME R	2005 ACTUAL EXPENDITURE R	2005 SURPLUS/ (DEFICIT) R		2006 ACTUAL INCOME R	2006 ACTUAL EXPENDITURE R	2006 SURPLUS/ (DEFICIT) R	2006 BUDGET SURPLUS/ (DEFICIT) R
19,411,131	15,877,233	3,533,898	RATES AND GENERAL SERVICES	19,099,224	16,575,303	2,523,921	35,316
16,112,925	11,383,323	4,729,602	Community Services	15,584,220	11,543,290	4,040,930	2,451,645
-	1,682,157	(1,682,157)	Council's General Expenditure	-	1,912,141	(1,912,141)	(1,914,550)
16,003,546	5,157,801	10,845,745	Management Services	15,506,570	4,356,997	11,149,573	9,819,913
109,379	4,543,365	(4,433,986)	Public Works	77,650	5,274,152	(5,196,502)	(5,453,718)
1,682,418	3,117,014	(1,434,596)	Subsidised Services	1,932,891	3,666,258	(1,733,367)	(2,399,276)
211,187	1,167,890	(956,703)	Community & Social Services	230,379	1,394,608	(1,164,229)	(1,841,918)
1,471,231	1,949,124	(477,893)	Public Safety	1,702,512	2,271,650	(569,138)	(557,358)
1,615,788	1,376,896	238,892	Economic Services	1,582,113	1,365,755	216,358	(17,053)
1,615,788	1,376,896	238,892	Refuse	1,582,113	1,365,755	216,358	(17,053)
<u>19,411,131</u>	<u>15,877,233</u>	<u>3,533,898</u>	TOTAL	<u>19,099,224</u>	<u>16,575,303</u>	<u>2,523,921</u>	<u>35,316</u>
		(1,505,098)	Appropriations for the year			(5,417,472)	
		2,028,800	Net surplus for the year			(2,893,551)	
		1,554,453	Accumulated surplus beginning of the year			3,583,253	
		<u>3,583,253</u>	Accumulated surplus end of the year			<u>689,702</u>	